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SUBJECT: SHANGHAI BAR ASSOCIATION PRESIDENT CONCERN ABOUT COMPETITION
FROM FOREIGN LAW FIRMS, BUT EAGER FOR INTERNATIONAL COOPERATION

REF: 2007 SHANGHAI 770

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¶1. (SBU) Summary. In a June 26 meeting with ConGenoffs, newly
appointed Shanghai Bar Association (SBA) President Liu Zhengdong
expressed his concerns about the increase in the number of
foreign law firms operating in Shanghai in direct competition
with local Shanghai firms. He acknowledges, however, that
competition between foreign and local firms has improved the
quality of legal services in Shanghai and is open to allowing
foreign law firm lawyers to join the SBA. He also welcomes more
international exchanges and legal cooperation especially in the
area of IPR protection and legal issues connected with the 2010
World Expo in Shanghai. At 38 years of age, Liu is one of the
youngest people to serve as SBA President. He is also a
Shanghai Municipal Peoples Congress (MPC) representative and
appears to have close ties to the local government. End Summary.

Too Few Lawyers

¶2. (SBU) On June 26, Political/Economic Section Chief, PolOff
and FSN Rule of Law Coordinator (ROLC) met with Shanghai Bar
Association (SBA) President Liu Zhengdong. Appointed as SBA
President on April 20, Liu is eager to provide more
opportunities for SBA members to participate in international
exchange programs and increase the amount of legal expertise in
Shanghai on international economic legal issues, including
international trade, finance, IPR, and merger and acquisitions.
Liu noted that the Shanghai Government considers the development
of legal services as an important part of its overall goal of
turning Shanghai into a leading service provider center on par
with cities like New York. While there are numerous foreign law
firms providing high-level economic services, there are
relatively few local Shanghai lawyers, approximately 20 percent,
practicing in these areas, Liu said. In addition, the number of
Shanghai lawyers is relatively small in comparison to Beijing
and Guangzhou. There are 16,000 and 15,000 local lawyers in
Beijing and Guangzhou respectively, but only 9,000 local lawyers
in Shanghai. Liu attributed Beijing's high number to that
city's role as national capital and seat of law- and
rule-making, while Guangzhou is close to Hong Kong and home to
much of China's earliest economic progress in the 30 years of
reform and opening up.

Too Much Competition

14. (SBU) Former SBA President Lu Hongbing was very aggressive in trying to curtail the permitted activities of foreign law firms in Shanghai. He issued a letter asking the Bureau of Justice to be more active in policing foreign law firms. While it is unclear whether Liu will be as active, he does harbor some concerns about the increase of foreign law firms in Shanghai. Many foreign firms are in direct competition with local Shanghai firms for money and talent. Last year, of the 4 billion RMB (588 million USD) in legal fees received by law firms in Shanghai, half (2 billion RMB/ 294 million USD) was received by foreign law firms. It is also difficult for local law firms to compete with large foreign law firms for personnel. Liu also noted that there are many Beijing-based and Guangzhou-based law firms operating offices in Shanghai that also compete with local firms. Pol/Econ Chief stressed the importance of being open to foreign law firms and other professional services firms as their expertise and the competition they provide can help propel local economic development and support Shanghai's goal of becoming an international services center. Liu admitted that the competition from foreign firms improves the quality of legal services available in Shanghai. Liu is eager for more interaction between foreign law firms and local firms. He indicated interest in allowing foreign law firm lawyers to join the SBA and participate in SBA activities.

The New Lawyer Law

15. (SBU) Liu applauded the new Lawyer law that went into effect from June 1 (reftel). He is particularly pleased by provisions in the law that provides lawyers with more rights to interview clients and protects the free speech of lawyers during court trials. However, when asked about recent press reports that at

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least two lawyers in Beijing lost their licenses for agreeing to defend clients involved in sensitive cases, Liu said that he did not know about those cases or the reported loss of licenses to practice. However, in his opinion, there is very little that a bar association can do in these situations since the Bureau of Justice, and not the local bar association, is responsible for revoking licenses.

Increasing Political Influence of Lawyers

16. (SBU) Liu told interlocutors that Shanghai lawyers are playing a greater role in local politics and there are now 114 lawyers, including himself, who serve as representatives in the Shanghai Municipal People's Congress (Shanghai MPC) and/or the Shanghai's Chinese People's Political Consultative Conference. These lawyers have been active in drafting laws and also provide advice to the local government by submitting comments on drafts or participating in Shanghai MPC committees. Liu predicted that in the future lawyers will become even more active and play an increasingly important role in the legislative process. The SBA also regularly exchanges views with the Shanghai MPC.

Welcome More Training and Exchanges

17. (U) Every year the SBA spends RMB 4 million (almost USD 600,000 at the end-June exchange rate) on legal training programs for its members. Shanghai lawyers are also required to attend 40 hours of classes at an SBA training center. That SBA training center has a cooperative relationship with the Shanghai College of Politics and Law. Liu would like to strengthen these programs and is interested in increasing exchanges and cooperation with U.S. legal experts. He especially welcomes training in connection with IPR issues and the Shanghai 2010 World Expo.

Biographic Information

18. (SBU) At 38 years of age, Liu is one of the youngest persons to serve as President of the SBA. He specializes in real estate and is a senior partner of the Shanghai Junyue Law firm. He graduated from East China University of Politics and Law in 1991. After graduation, he served as a prosecutor for three years in the Shanghai Railway Prosecutor's Office. Liu appears to have close ties to the government and has served as a representative to the Shanghai MPC since 2003. He is a member of the Communist Party. Liu has never been to the United States, although he has visited Australia and Europe several times. He does not appear to speak English.

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